Chrono

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NOTE FOR: Herbert E. Meyer
VC/NIC

FROM:
Acting NIO for Economics

STAT

SUBJECT: Petroleum Intelligence Weekly

1. This week's PIW asserts that the USSR is planning additional reductions in oil deliveries to the West on top of the 500,000 b/d reduction already in place. According to PIW, the USSR is increasing deliveries to Eastern Europe to replace the 300,000 to 400,000 b/d of Iranian oil lost because of Iraqi attacks on Kharg Island. If true, this will cut hard currency earnings from oil by more than $7 billion at an annual rate as compared with 1984--nearly one quarter of total hard currency earnings.

2. The reduction in Iranian deliveries may prove temporary, of course. But it will be interesting to see if it extends into the winter months when demand for fuel oil in the USSR and Eastern Europe increases. Also, I wonder how much stocks were drawn down to accommodate deliveries to the West before announcing the reductions. Could be a cold winter.

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